

# Passing of LB 366 Means Major Changes

*New State and County members no longer have to wait to start contributions.*

NPERS is pleased to announce the passage of LB 366 which mandates immediate **State and County Plan** participation beginning *January 1, 2007*, and increases the contribution rate for **State** employees.

## Immediate Plan Participation

Under the *current* law, State and County employees begin mandatory participation in the retirement plan after 12 continuous months of employment. **Starting in 2007, the 12-month wait is eliminated.** This means all State and County employees employed on a *permanent full-time basis* who have not completed 12 continuous months of employment will begin **immediate** plan participation. Anyone hired in 2007 or later will join the plan on the date they are hired.

LB 366 also addresses participation for part-time employees and elected officials. Permanently employed *part-time* State and County employees who have attained the age of 20 may now exercise the option to begin immediate participation. *Full-time elected* County officials will also begin immediate participation upon taking office and *part-time elected* County officials will have the option to begin immediate participation.

## Contribution Rate Increase

The new law also increases the contribution percentage for **State Plan** members. Under current statute, State employees initially contribute 4.33% of compensation to their retirement account. If their total contributions reach \$864 (\$19,954 in salary), the rate increases to 4.8% for the remainder of the year, then reverts back to 4.33% each January 1. *LB 366 removes the initial 4.33% rate and establishes a flat contribution rate of 4.8%.* While the current 156% “employer match” for State members remains unchanged, the matching percentage applied to the new contribution rate will result in increased contributions from your employer. No changes were made to the County contribution rate of 4.5%.

## Vesting

Lastly, LB 366 updated the vesting language to reflect immediate plan participation for State and County members. Current language stipulates 3 years to vest (retain the employer match upon termination) which includes the 12 months of eligibility (waiting period) and 24 months of plan participation. *With the removal of the eligibility time period, the new language clarifies vesting as 3 years of plan participation.* In essence, the *total* amount of time required to vest is unchanged.

The provisions of LB 366 will go into effect **January 1, 2007**. The resulting changes not only “bump up” the total amount of time a member contributes toward their retirement, but also increases the total dollar amounts that will flow annually into each member’s account. □